

Property Tax Payments, 2002-2003

- Huntington County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Huntington County, state tax credits

State Tax Credits Increased in Huntington County from \$6.5 Million in 2002 to \$10.1 Million in 2003.

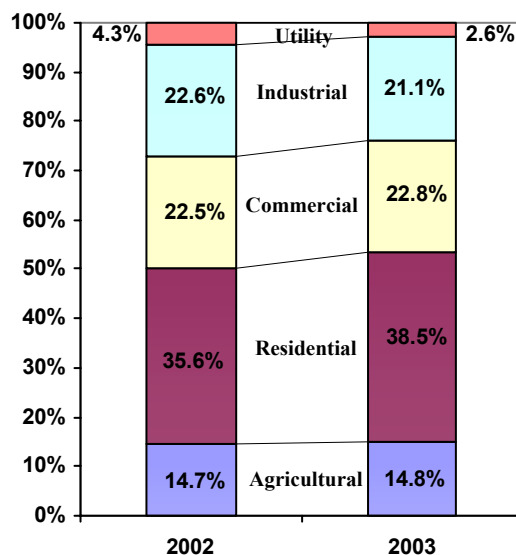
Table 1. Changes in AV and Tax Bills by Property Class for Huntington County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	79.7%	69.1%	-7.6%
Residential (All)	100.1%	70.3%	-0.2%
Homestead Only	99.5%	62.3%	-7.6%
Commercial	60.5%	44.0%	-6.9%
Industrial	21.9%	23.5%	-14.0%
Utility	-20.2%	-20.2%	-44.4%
Avg. All Classes	69.2%	52.0%	-7.8%

increased from \$6.47 million to \$10.15 million, an increase of \$3.8 million. This paper provides a brief summary of how these factors changed property tax liabilities in Huntington County.

Tax Shifts. Tax bills for all classes of property fell in Huntington County in 2003 (see Table 1). Gross real plus personal assessed values (AV) increased more for agriculture and residential property than for business property. Residential gross AV doubled, but the increased homestead deduction reduced the net AV increase to 70%. Agricultural net AV increased almost 70%, and commercial net AV rose 44%. The increase in industrial assessments was much less, and utility assessments actually fell. As a result of these AV changes, the tax reductions for agriculture, residential, and commercial property were smaller than the tax reductions for industrial and utility property. [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] These figures include the

Figure 1. Share of Net Property Tax Billings in Huntington County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Huntington County saw their tax bills decrease, while the average residential property tax bill was nearly unchanged. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than the average residential tax bill. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

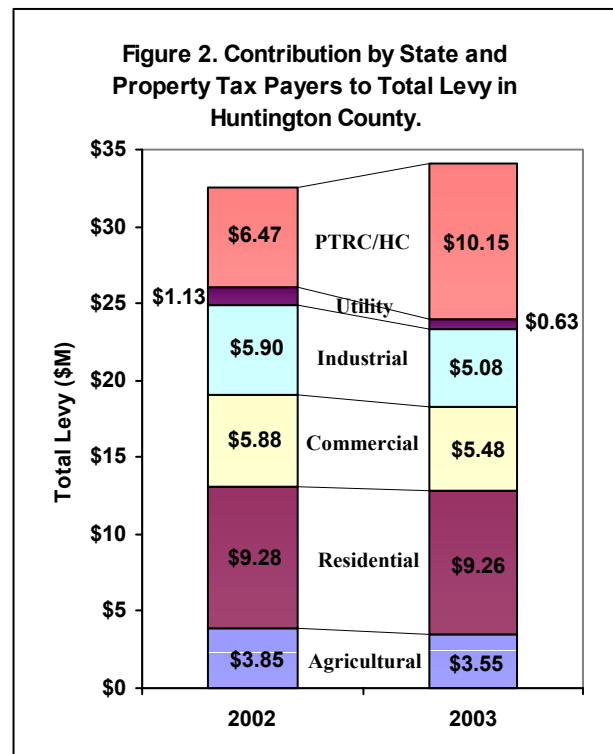
Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Huntington County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill decreases than increases in 2003. Separately, two-thirds of homestead owners also saw decreases rather than increases.

Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Huntington County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	37.3%	32.7%	30.4%	25.4%
Decreased	62.7%	67.3%	69.6%	74.6%
Increased 100% or More	5.8%	2.6%	5.0%	2.2%
Decreased 25% or More	23.4%	24.8%	31.1%	33.2%
Average Change (\$)	-\$41	-\$75	-\$82	-\$116
Average Change (%)	-5.5%	-9.6%	-11.0%	-14.8%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, less than one-third of all residential property owners would have seen tax increases, and more than two-thirds would have seen tax decreases. For homesteads, almost three-fourths would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of substantially more homeowners than they increased.

Agriculture. Taxes on agricultural property in Huntington County fell. Overall, agricultural homestead taxes fell more than agricultural business taxes. The net assessed value on non-homestead agricultural real property nearly doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.



Business. Taxes on industrial and utility property fell substantially in Huntington County because assessed values rose much less than residential and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Huntington County reduced tax rates, and this cut tax bills more for owners of property with smaller assessment increases, like industrial and utility properties.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Huntington County by PTRC and state homestead credit payments increased by approximately 57%, from \$6.5 million to \$10.1 million.

Table 3 shows estimates of how Huntington County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced these tax increases. Huntington County residential property taxes decreased slightly and residential homestead taxes decreased even more because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was more than offset by the rise in the homestead deduction and higher state PTRC payments. The elimination of PTRC for personal property was responsible for reducing the tax cuts received by industrial and utility property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Huntington County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	8.9%	-7.6%	-16.5%
Residential (All)	40.9%	-0.2%	-41.2%
Homestead Only	46.8%	-7.6%	-54.3%
Commercial	-6.7%	-6.9%	-0.2%
Industrial	-19.0%	-14.0%	5.0%
Utility	-53.1%	-44.4%	8.7%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Huntington County

Changes in Assessed Values, Deductions, Credits and Net Levies

Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	834,694,790	185,048,627	456,633,491	386,589,446	110,409,148	82,490,647	112,876
Real Deductions	108,652,581	11,361,866	84,474,568	84,474,568	1,670,538	11,145,609	0
Real Net Assessed Value	726,042,209	173,686,761	372,158,923	302,114,878	108,738,610	71,345,038	112,876
Personal Gross Assd. Value	304,028,391	17,942,930	4,364,340	0	94,738,563	142,247,613	44,734,945
Personal Deductions	34,577,340	0	1,430	0	11,802,723	22,762,949	10,238
Personal Net Assd. Value	269,451,051	17,942,930	4,362,910	0	82,935,840	119,484,664	44,724,706
Total Gross Assessed Value	1,138,723,181	202,991,557	460,997,831	386,589,446	205,147,711	224,738,260	44,847,821
Total Deductions	143,229,921	11,361,866	84,475,998	84,474,568	13,473,261	33,908,558	10,238
Total Net Assessed Value	995,493,260	191,629,691	376,521,833	302,114,878	191,674,450	190,829,703	44,837,583
Gross Levy	32,598,121	4,703,616	12,282,743	9,731,333	7,116,385	7,142,113	1,353,265
PTRC (Calculated)	5,527,087	742,347	2,081,954	1,644,263	1,235,160	1,241,636	225,991
State/County Homestead Cr. (Calculated)	1,037,244	116,041	921,203	921,203	0	0	0
Net Levy	26,033,789	3,845,228	9,279,585	7,165,867	5,881,225	5,900,477	1,127,274
Pay 2003							
Real Gross Assessed Value	1,581,274,593	345,127,339	918,260,648	771,342,016	211,019,143	106,647,836	219,626
Real Deductions	362,360,617	40,605,299	281,088,515	281,088,515	30,799,451	9,867,352	0
Real Net Assessed Value	1,218,913,976	304,522,040	637,172,133	490,253,501	180,219,692	96,780,484	219,626
Personal Gross Assd. Value	344,952,780	19,580,415	4,146,362	0	118,303,329	167,357,752	35,564,922
Personal Deductions	50,917,085	0	150	0	22,442,053	28,470,806	4,075
Personal Net Assd. Value	294,035,695	19,580,415	4,146,212	0	95,861,276	138,886,946	35,560,846
Total Gross Assessed Value	1,926,227,373	364,707,754	922,407,010	771,342,016	329,322,472	274,005,589	35,784,548
Total Deductions	413,277,702	40,605,299	281,088,665	281,088,515	53,241,504	38,338,158	4,075
Total Net Assessed Value	1,512,949,671	324,102,455	641,318,345	490,253,501	276,080,968	235,667,430	35,780,473
Gross Levy	34,459,615	5,447,159	14,764,508	11,049,283	7,151,396	6,336,721	759,830
PTRC (Calculated)	9,230,763	1,778,788	4,383,844	3,302,784	1,674,465	1,260,380	133,286
State/County Homestead Cr. (Calculated)	1,238,295	116,035	1,122,260	1,122,260	0	0	0
Net Levy	23,990,556	3,552,336	9,258,404	6,624,238	5,476,931	5,076,341	626,544
COMPARISONS							
Net Levy Percent Change	-7.8%	-7.6%	-0.2%	-7.6%	-6.9%	-14.0%	-44.4%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	89.4%	86.5%	101.1%	99.5%	91.1%	29.3%	94.6%
Gross Personal AV	13.5%	9.1%	-5.0%	0.0%	24.9%	17.7%	-20.5%
Total Gross Assessed Value	69.2%	79.7%	100.1%	99.5%	60.5%	21.9%	-20.2%
Net Assessed Value	52.0%	69.1%	70.3%	62.3%	44.0%	23.5%	-20.2%
Gross Levy	5.7%	15.8%	20.2%	13.5%	0.5%	-11.3%	-43.9%
Net Levy	-7.8%	-7.6%	-0.2%	-7.6%	-6.9%	-14.0%	-44.4%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	5,419,021	8,914,021	3,495,000	64.5%
State Homestead Cr. (Abstract)	1,048,641	1,235,510	186,870	17.8%
Total State Credits (Abstract)	6,467,661	10,149,531	3,681,870	56.9%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Huntington County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	3,845,228	3,552,336	-292,892	-7.6%	14.7%	14.8%	0.0%
Residential	9,279,585	9,258,404	-21,181	-0.2%	35.6%	38.5%	3.0%
Commercial	5,881,225	5,476,931	-404,294	-6.9%	22.5%	22.8%	0.2%
Industrial	5,900,477	5,076,341	-824,136	-14.0%	22.6%	21.1%	-1.5%
Utility	1,127,274	626,544	-500,730	-44.4%	4.3%	2.6%	-1.7%
Exempt	49,305	40,204	-9,101	-18.5%	0.2%	0.2%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	26,083,094	24,030,760	-2,052,334	-7.9%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,476,507	3,298,248	-178,259	-5.1%	13.3%	13.7%	0.4%
Residential	9,175,124	9,203,945	28,821	0.3%	35.2%	38.3%	3.1%
Commercial	3,336,881	3,276,054	-60,827	-1.8%	12.8%	13.6%	0.8%
Industrial	2,224,937	1,911,462	-313,475	-14.1%	8.5%	8.0%	-0.6%
Utility	3,194	3,452	258	8.1%	0.0%	0.0%	0.0%
Exempt	49,305	40,204	-9,101	-18.5%	0.2%	0.2%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	18,265,948	17,733,365	-532,583	-2.9%	70.0%	73.8%	3.8%
Agricultural Homesteads	1,592,764	1,349,057	-243,707	-15.3%	6.1%	5.6%	-0.5%
Residential Homesteads	7,165,867	6,624,238	-541,629	-7.6%	27.5%	27.6%	0.1%
Total Homesteads	8,758,631	7,973,295	-785,336	-9.0%	33.6%	33.2%	-0.4%
Non-Homestead Residential	2,009,257	2,579,707	570,450	28.4%	7.7%	10.7%	3.0%
Apartments (Over 4 Units)	392,161	411,662	19,501	5.0%	1.5%	1.7%	0.2%
<u>Personal Property Only</u>							
Agricultural	368,722	254,089	-114,633	-31.1%	1.4%	1.1%	-0.4%
Residential	104,461	54,459	-50,002	-47.9%	0.4%	0.2%	-0.2%
Commercial	2,544,344	2,200,876	-343,468	-13.5%	9.8%	9.2%	-0.6%
Industrial	3,675,540	3,164,878	-510,662	-13.9%	14.1%	13.2%	-0.9%
Utility	1,124,081	623,092	-500,989	-44.6%	4.3%	2.6%	-1.7%
Total	7,817,148	6,297,394	-1,519,754	-19.4%	30.0%	26.2%	-3.8%
Total Depreciables	5,233,152	3,888,422	-1,344,730	-25.7%	20.1%	16.2%	-3.9%
Total Inventory	2,479,534	2,354,514	-125,020	-5.0%	9.5%	9.8%	0.3%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	1,883,742	1,949,190	65,448	3.5%	7.2%	8.1%	0.9%
Ag Personal	368,722	254,089	-114,633	-31.1%	1.4%	1.1%	-0.4%
Total Ag Business	2,252,464	2,203,279	-49,185	-2.2%	8.6%	9.2%	0.5%
Ag Homesteads	1,592,764	1,349,057	-243,707	-15.3%	6.1%	5.6%	-0.5%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Huntington County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	191,629,691	324,102,455	132,472,764	69.1%	19.2%	21.4%	2.2%
Residential	376,521,833	641,318,345	264,796,512	70.3%	37.8%	42.3%	4.6%
Commercial	191,674,450	276,080,968	84,406,518	44.0%	19.2%	18.2%	-1.0%
Industrial	190,829,703	235,667,430	44,837,727	23.5%	19.1%	15.6%	-3.6%
Utility	44,837,583	35,780,473	-9,057,110	-20.2%	4.5%	2.4%	-2.1%
Exempt	1,572,570	2,378,250	805,680	51.2%	0.2%	0.2%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	997,065,830	1,515,327,921	518,262,091	52.0%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	173,686,761	304,522,040	130,835,279	75.3%	17.4%	20.1%	2.7%
Residential	372,158,923	637,172,133	265,013,210	71.2%	37.3%	42.0%	4.7%
Commercial	108,738,610	180,219,692	71,481,082	65.7%	10.9%	11.9%	1.0%
Industrial	71,345,038	96,780,484	25,435,446	35.7%	7.2%	6.4%	-0.8%
Utility	112,876	219,626	106,750	94.6%	0.0%	0.0%	0.0%
Exempt	1,572,570	2,378,250	805,680	51.2%	0.2%	0.2%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	727,614,778	1,221,292,225	493,677,447	67.8%	73.0%	80.6%	7.6%
Agricultural Homesteads	82,428,219	130,169,531	47,741,312	57.9%	8.3%	8.6%	0.3%
Residential Homesteads	302,114,878	490,253,501	188,138,623	62.3%	30.3%	32.4%	2.1%
Total Homesteads	384,543,097	620,423,032	235,879,935	61.3%	38.6%	40.9%	2.4%
Non-Homestead Residential	70,044,045	146,918,631	76,874,586	109.8%	7.0%	9.7%	2.7%
Apartments (Over 4 Units)	13,481,441	22,448,216	8,966,775	66.5%	1.4%	1.5%	0.1%
<u>Personal Property Only</u>							
Agricultural	17,942,930	19,580,415	1,637,485	9.1%	1.8%	1.3%	-0.5%
Residential	4,362,910	4,146,212	-216,698	-5.0%	0.4%	0.3%	-0.2%
Commercial	82,935,840	95,861,276	12,925,436	15.6%	8.3%	6.3%	-2.0%
Industrial	119,484,664	138,886,946	19,402,282	16.2%	12.0%	9.2%	-2.8%
Utility	44,724,706	35,560,846	-9,163,860	-20.5%	4.5%	2.3%	-2.1%
Total	269,451,050	294,035,695	24,584,645	9.1%	27.0%	19.4%	-7.6%
Total Depreciables	181,656,919	186,126,539	4,469,620	2.5%	18.2%	12.3%	-5.9%
Total Inventory	83,431,222	103,762,944	20,331,722	24.4%	8.4%	6.8%	-1.5%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	91,258,542	174,352,510	83,093,968	91.1%	9.2%	11.5%	2.4%
Ag Personal	17,942,930	19,580,415	1,637,485	9.1%	1.8%	1.3%	-0.5%
Total Ag Business	109,201,472	193,932,925	84,731,453	77.6%	11.0%	12.8%	1.8%
Ag Homesteads	82,428,219	130,169,531	47,741,312	57.9%	8.3%	8.6%	0.3%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Huntington County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2002 to 2003	Change in Net AV 2002 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	120%	82%	5%	-1%
Comparable Residential Real Prop.	104%	63%	-5%	-11%
Comparable Homesteads	104%	58%	-10%	-15%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	99	1.1%	41	0.5%	85	0.9%	35	0.4%
200% to	300%	103	1.1%	44	0.5%	83	0.9%	33	0.4%
100% to	200%	326	3.6%	130	1.6%	293	3.2%	114	1.4%
50% to	100%	418	4.6%	266	3.2%	371	4.1%	217	2.6%
25% to	50%	694	7.6%	587	7.1%	502	5.5%	401	4.9%
10% to	25%	797	8.8%	733	8.9%	663	7.3%	590	7.2%
5% to	10%	405	4.5%	385	4.7%	303	3.3%	282	3.4%
0 to	5%	546	6.0%	506	6.1%	463	5.1%	426	5.2%
0 to	-5%	584	6.4%	563	6.8%	508	5.6%	485	5.9%
-5% to	-10%	660	7.3%	640	7.8%	638	7.0%	612	7.4%
-10% to	-25%	2,333	25.7%	2,300	27.9%	2,354	25.9%	2,307	28.0%
-25% to	-50%	1,932	21.3%	1,908	23.1%	2,549	28.1%	2,518	30.5%
Below	-50%	189	2.1%	141	1.7%	274	3.0%	224	2.7%
		9,086	100.0%	8,244	100.0%	9,086	100.0%	8,244	100.0%
Parcels With Increases		3,388	37.3%	2,692	32.7%	2,763	30.4%	2,098	25.4%
Parcels With Reductions		5,698	62.7%	5,552	67.3%	6,323	69.6%	6,146	74.6%
Average \$ Change			-\$41		-\$75		-\$82		-\$116
Average % Change			-5.5%		-9.6%		-11.0%		-14.8%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor
Prepared by Legislative Services Agency, June 2005.